

HOPA THERAPEUTICS APS

C/O COBIS, OLE MAALØES VEJ 3, 2200 KØBENHAVN N

ANNUAL REPORT

1. APRIL 2018 - 31. MARTS 2019

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 21 August 2019**

Kenneth Ahrend Petersen

CVR NO. 38 23 11 70

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COMPANY DETAILS

Company	Hoba Therapeutics ApS c/o COBIS Ole Maaløes Vej 3 2200 København N CVR no.: 38 23 11 70 Established: 28 November 2016 Registered Office: Copenhagen Financial Year: 1 April 2018 - 31 March 2019
Board of Directors	Amanda Luise Hayward, exec. chairman Morten Døssing Steen Palle Petersen Teit Eliot Johansen
Board of Executives	Kenneth Ahrend Petersen
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab Østre Havnepromenade 26, 4. 9000 Aalborg
Bank	Danske Bank

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Hoba Therapeutics ApS for the year 1 April 2018 - 31 March 2019.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the the Company's financial position at 31 March 2019 and of the results of the the Company's operations for the financial year 1 April 2018 - 31 March 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 18 June 2019

Board of Executives

Kenneth Ahrend Petersen

Board of Directors

Amanda Luise Hayward
exec. chairman

Morten Døssing

Steen Palle Petersen

Teit Eliot Johansen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hoba Therapeutics ApS

Opinion

We have audited the Financial Statements of Hoba Therapeutics ApS for the financial year 1 April 2018 - 31 March 2019, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2019 and of the results of the Company operations for the financial year 1 April 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Aalborg, 18 June 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33963556

Peter Nørrevang
State Authorised Public Accountant
MNE-nr. 11706

MANAGEMENT'S REVIEW

Principal activities

The company is a biotech company whose main activity is the development of biological drugs for the treatment of pain and other neurological diseases.

Uncertainty as to recognition and measurement

There is no uncertainty or unusual circumstance in the final fiscal year.

Development in activities and financial position

The company was established 28 November 2016 with funding from Novo Seeds, Borean Innovation and the Board of Research and Development respectively. In October 2018, the Company received new funding from Innovationsfonden, as well as commitments for new and extension of funding from existing investors Novo Seeds, Borean Innovation and the Danish Agency for Research and Development. No additional income has been added to the company or changes in activities in relation to the investment agreement entered.

Significant events after the end of the financial year

In April 2019 additional committed funding from Vækstfonden were obtained.

No other events have occurred after the end of the financial year of material importance for the company's financial position.

INCOME STATEMENT 1 APRIL - 31 MARCH

	Note	2018/19 DKK	2017/18 DKK
GROSS PROFIT		296.143	485.419
Staff costs.....	1	-1.748.111	-1.633.761
Depreciation, amortisation and impairment.....		-9.986	-8.991
OPERATING LOSS		-1.461.954	-1.157.333
Other financial income.....		8.130	15.029
Other financial expenses.....		-32.080	0
PROFIT BEFORE TAX		-1.485.904	-1.142.304
Tax on profit/loss for the year.....	2	340.558	250.451
PROFIT FOR THE YEAR		-1.145.346	-891.853
PROPOSED DISTRIBUTION OF PROFIT			
Accumulated profit.....		-1.145.346	-891.853
TOTAL		-1.145.346	-891.853

BALANCE SHEET AT 31 MARCH

ASSETS	Note	2019 DKK	2018 DKK
Development projects in progress and prepayments.....		9.517.473	4.761.417
Intangible fixed assets	3	9.517.473	4.761.417
Other plant, machinery, tools and equipment.....		18.438	16.484
Tangible fixed assets	4	18.438	16.484
Rent deposit and other receivables.....		13.126	12.744
Fixed asset investments	5	13.126	12.744
FIXED ASSETS		9.549.037	4.790.645
Other receivables.....		44.491	65.686
Corporation tax receivable.....		1.299.558	926.451
Receivables		1.344.049	992.137
Cash and cash equivalents.....		4.611.943	4.600.690
CURRENT ASSETS		5.955.992	5.592.827
ASSETS		15.505.029	10.383.472
EQUITY AND LIABILITIES			
Share capital.....		315.384	253.846
Reserve for development costs.....		7.423.629	3.713.905
Retained profit.....		3.971.422	4.888.059
EQUITY	6	11.710.435	8.855.810
Provision for deferred tax.....		1.790.000	831.000
PROVISION FOR LIABILITIES		1.790.000	831.000
Convertible and interest-bearing debt instruments.....		1.487.682	0
Long-term liabilities	7	1.487.682	0
Trade payables.....		340.681	561.164
Other liabilities.....		176.231	135.498
Current liabilities		516.912	696.662
LIABILITIES		2.004.594	696.662
EQUITY AND LIABILITIES		15.505.029	10.383.472

NOTES

	2018/19 DKK	2017/18 DKK	Note
Staff costs			1
Average number of employees 1 (2017/18: 1)			
Wages and salaries.....	1.669.720	1.618.291	
Social security costs.....	6.353	4.388	
Other staff costs.....	72.038	11.082	
	1.748.111	1.633.761	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year.....	-1.299.558	-926.451	
Adjustment of deferred tax.....	959.000	676.000	
	-340.558	-250.451	
Intangible fixed assets			3
		Development projects in progress and prepayments	
Cost at 1 April 2018.....		4.761.417	
Additions.....		4.756.056	
Cost at 31 March 2019.....		9.517.473	
Carrying amount at 31 March 2019.....		9.517.473	

The company is a biotech company, whose main activity is development of biological drugs (HB-086 and HB-097) for the treatment of pain and other neurological diseases.

Neuropathic pain is a prevalent disorder (6-8% of general population), and market research describe an unmet medical need for new innovative drugs with better effect and fewer side effects.

The products differ considerably from existing drugs and competition, both in relation to development candidates and marketed products, is limited.

It is expected that products will reach the market by 2027/28.

Management has high expectations to the products and has no indication of impairment in relation to the carrying amount.

NOTES

					Note
Tangible fixed assets					4
				Other plant, machinery, tools and equipment	
Cost at 1 April 2018.....				26.974	
Additions.....				11.940	
Cost at 31 March 2019.....				38.914	
Depreciation and write-down at 1 April 2018.....				10.490	
Depreciation for the year.....				9.986	
Depreciation and write-down at 31 March 2019.....				20.476	
Carrying amount at 31 March 2019.....				18.438	
 Fixed asset investments					 5
				Rent deposit and other receivables	
Cost at 1 April 2018.....				12.744	
Additions.....				382	
Cost at 31 March 2019.....				13.126	
Carrying amount at 31 March 2019.....				13.126	
 Equity					 6
			Reserve for development costs	Retained profit	Total
	Share capital				
Equity at 1 April 2018.....	253.846	3.713.905	4.888.060	8.855.811	
Capital increase.....	61.538		3.938.432	3.999.970	
Proposed distribution of profit.....			-1.145.346	-1.145.346	
Reserve for development costs.....		3.709.724	-3.709.724		
Equity at 31 March 2019.....	315.384	7.423.629	3.971.422	11.710.435	
 Long-term liabilities					 7
	1/4 2018 total liabilities	31/3 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	
Convertible and interest- bearing debt instruments.....	0	1.487.682	0	0	
	0	1.487.682	0	0	

ACCOUNTING POLICIES

The annual report of Hoba Therapeutics ApS for 2018/19 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B with opt-in from reporting class C.

The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 10 years.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

ACCOUNTING POLICIES

Other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plants, fixtures and equipment.....	3 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Profit or loss on disposal of tangible fixed assets is stated at the difference between selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognised in the income statement.

Fixed asset investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Cash and cash equivalents

Cash and cash equivalents includes cash and cash equivalents.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.